



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF CHIEF COUNSEL FOR ADVOCACY

March 3, 1998

The Honorable William E. Kennard
Chairman
Federal Communications Commission
1919 M Street, NW Suite 814
Washington, DC 20554

RE: In re Access Charge Reform (CC Dkt. No. 96-262); Price Cap Performance Review for Local Exchange Carriers (CC Dkt. No. 94-1); Transport Rate Structure and Pricing (CC Dkt. No. 91-213); End User Common Line Charges (CC Dkt. No. 95-72) ✓

Dear Chairman Kennard:

The Office of Advocacy of the United States Small Business Administration ("Advocacy") applauds your recent inquiry into the billing practices of the nation's largest interexchange carriers (IXC), AT&T, MCI, and Sprint. As detailed in Advocacy's filing before the Federal Communications Commission ("FCC" or "Commission") on February 17, 1998, we too have several concerns whether consumers - particularly small business consumers - are receiving commensurate rate savings to the billions in access charge reductions made by the Commission in July 1997 and early this year.¹

Advocacy is very concerned that multiple-line small businesses have not been the direct beneficiaries of promised lower long distance rates, particularly since they pay higher Subscriber Line Charges (SLC) and Presubscriber Interexchange Carrier Charges ("PICC") than both residential and single-line businesses.² As noted previously, these increases have had a tremendous economic impact on America's small businesses. A general report on rate savings from the IXCs will obscure the effect of the Commission's access charge reform proceeding on the type of consumer that has been harmed the most - small businesses.

Therefore, at a minimum, it is important that the IXCs distinguish between residential and business consumers in their response to your inquiry as to whether rate savings have been passed on. Furthermore, it would be appropriate for business consumers to be itemized according to the number of access lines and by volume of calls. Single-line, multiple-line businesses with 4, 8, and more than 8 lines are suggested classifications. Given that the Commission has reported that the average small business has four access lines, it is important to determine how such businesses, including those with a

¹ Reply Comments of the Office of Advocacy, The United States Small Business Administration, in Support of the Petition for Rulemaking, Access Charge Reform, et al., CC Dkt. No. 96-262, Feb. 17, 1998. Advocacy requested that the Commission investigate whether small business consumers have received rate savings and whether the IXCs are collecting a surplus of fees given combined access charge savings, pass-through of Presubscriber Interexchange Carrier Charges ("PICC"), universal service fund surcharges, and lower contribution factors to the several universal service funds. *Id.* at 8.

² The monthly PICC for single-line businesses and primary residential lines is \$0.53 per line. Additional residential lines are assessed a PICC of \$1.50 per line. Conversely, the PICC for multiple-line businesses is \$2.75 per line. The IXCs' pass-through of PICCs to their customers results in an increase of \$11.00 per month - \$132 annually - for an average small business with four lines. SLC charges and universal service surcharges are additional monthly charges incurred by small businesses.



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high volume and those with a low volume of calls, have been affected by the IXCs' pricing decisions.

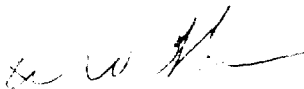
The IXCs have responded to your inquiry in press reports by zealous promotion of programs that are primarily, if not exclusively, designed for residential customers. For example, MCI touts its *5 cent Sundays* as an "obvious" illustration of its pass-through of access rate savings. However, MCI's 5 cent Sundays may be great for Grandma and the kids, but it does nothing for a small business that needs to do business during traditional business hours, which is Monday through Friday. If it is determined that small businesses have benefited from MCI's *5 Cent Sundays*, have there been adjustments to weekday rates (e.g., changes in peak and non-peak times) that could negate these alleged savings on Sunday?

For those long distance rate plans that are business oriented such as Sprint's *Fridays Free* promotion, recent changes in this promotion appear to negate any rate savings for small businesses. According to complaints from our small business constituents Sprint now adds a \$50 minimum charge to its small business customers' monthly bill before it applies the *Fridays Free* promotion. These small businesses were not informed of the minimum charge when they first subscribed to Sprint's promotion. The result of this charge could result in a net increase in rates - not a rate decrease.³ Moreover, *Fridays Free* was in effect at least one year prior to the Commission's \$1.7 billion in reduction in per minute access charges this past July. Advocacy questions whether the *Fridays Free* promotion is a viable example of cost savings for business consumers as a direct result of this proceeding.

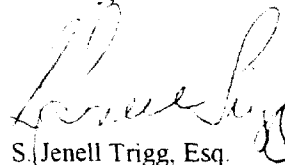
We understand that a report in the detail we have requested may take longer to provide than the time you have requested for the IXCs' response. However, we believe this information is essential if the Commission wants to ascertain whether its access charge reform has served the public interest and whether the IXCs have fulfilled their promise to benefit consumers. Advocacy does not have the financial nor staff resources to gather this information. It is also logical and more efficient for the IXCs to provide such information about their own customer base and rate structure.

The Office of Advocacy respectfully requests that you require an itemized report of rate savings passed on by AT&T, MCI, and Sprint according to the different classifications of "consumer." Without such detail, Advocacy believes that the Commission's inquiry into actual rate savings by consumers - all consumers - will be inconclusive.

Sincerely,



Jere W. Glover, Esq.
Chief Counsel



S. Jenell Trigg, Esq.
Assistant Chief Counsel

cc: The Honorable Susan Ness
The Honorable Gloria Tristani
The Honorable Harold Furchtgott-Roth
The Honorable Michael Powell

³ For example, if a business makes only \$35 worth of calls during the other days of the week, it will be assessed the minimum charge of \$50 to its bill. Unfortunately, if the business' calls on Friday do not exceed a value of \$15, then Sprint has in effect charged higher rates than the small business would have incurred if Fridays were not "free." The low volume small business consumer receives no savings.